

## Message Text

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12  
ACTION EUR-12

INFO OCT-01 ISO-00 SAM-01 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 EB-07 AGR-05 OMB-01 TRSE-00 /073 W  
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R 141718Z JUL 76  
FM AMEMBASSY MADRID  
TO SECSTATE WASHDC 6396

C O N F I D E N T I A L MADRID 5450

E.O. 11652: GDS  
TAGS: EGEN, PINT, SP  
SUBJECT: INFLATION AS POSSIBLE FACTOR IN ARIAS' DISMISSAL

REF: MADRID 5171

1. ACCORDING TO TECHNICAL SECRETARY GENERAL IN MINISTRY OF FINANCE, MAY COST-OF-LIVING INCREASE OF 4.58 PERCENT WAS VERY LIKELY A DELIBERATELY DOCTORED FIGURE ARRANGED BY MINISTER OF PRESIDENCY OSORIO AS ONE FACTOR TO HELP FORCE ARIAS OUT OF OFFICE. COST-OF-LIVING INDEX IS COMPUTED BY STATISTICAL INSTITUTE WHICH FALLS UNDER PRESIDENCY. FINANCE OFFICIAL TOLD US THAT MAY FIGURE WAS PURPOSELY INFLATED BY INCLUSION OF PRICE INCREASES FOR BREAD WHICH HAD OCCURRED OVER PAST TWO YEARS BUT NEVER BEFORE BEEN RECOGNIZED IN INDEX. BREAD FACTOR ALONE, HE SAID, WAS WORTH ABOUT TWO PERCENTAGE POINTS OF THE 4.58 INCREASE. FINANCE MINISTRY SOURCE FELT THERE COULD BE NO OTHER JUSTIFICATION FOR SUDDENLY CALCULATING INDEX IN SUCH A MANNER, NOTING THAT OSORIO WAS VERY CLOSE TO SUAREZ AND WAS NOW SECOND VICE PRESIDENT IN THE NEW SUAREZ GOVERNMENT, ASSUMING TITLE HELD PREVIOUSLY BY FORMER FINANCE MINISTER VILLAR MIR. HE CLAIMED OSORIO'S ALLEGED MANIPULATION OF COST-OF-LIVING DATA FOR SHORT-TERM POLITICAL PURPOSES WAS COMPLETELY IRRESPONSIBLE INASMUCH AS THE RELEASE OF SUCH A FIGURE ONLY TENDS TO INCREASE SPECULATION ABOUT FURTHER INFLATION.

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2. COMMENT: EMBASSY PREVIOUSLY REPORTED THAT RELEASE OF COST-OF-LIVING DATA WAS ONE OF ECONOMIC FACTORS WHICH CONTRIBUTED TO ARIAS' REMOVAL, TOGETHER WITH OTHER FACTORS OF A POLITICAL CHARACTER. WE HAVE NO WAY OF VOUCHING FOR THE STORY, THOUGH IT IS REPRESENTATIVE OF THE KIND OF BYZANTINE POST-MORTEMS NOW IN VOGUE. AT ALL EVENTS THE RELEASE OF THE STATISTICS REVEALS EITHER AN IMCOMPREHENSIBLE LACK OF COORDINATION WITHIN THE OLD GOVERNMENT OR, IN LINE WITH SOURCE'S INFORMATION, A CALCULATED MEANS OF DIS-CREDITING VILLAR MIR AND ARIAS. THE IMMEDIATE PUBLIC IMPACT OF THIS INFORMATION WAS TO DEEPEN FEARS ABOUT THE GOVERNMENT'S ABILITY TO CONTROL INFLATION WHICH DID NOT LIGHTEN THE TASK FACED BY THE NEW GOVERNMENT IN COMING TO GRIPS WITH THE PROBLEM.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** INFLATION, PRIME MINISTER, RETAIL PRICE INDEXES, PERSONNEL SEPARATIONS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 JUL 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** coburnhl  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976MADRID05450  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
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**Office:** ACTION EUR  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
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**Previous Handling Restrictions:** n/a  
**Reference:** 76 MADRID 5171  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** coburnhl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 05 MAY 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <05 MAY 2004 by MartinML>; APPROVED <07 SEP 2004 by coburnhl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INFLATION AS POSSIBLE FACTOR IN ARIAS' DISMISSAL  
**TAGS:** EGEN, PINT, SP, (ARIAS NAVARRO, CARLOS)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006